

**TOWNSHIP OF MC KINLEY  
COUNTY OF HURON  
PIGEON, MICHIGAN  
FINANCIAL REPORT  
MARCH 31, 2004**

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1988, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name MC KINLEY TOWNSHIP	County HURON
Audit Date MARCH 31, 2004	Opinion Date AUGUST 27, 2004	Date Accountant Report Submitted to State: AUGUST 27, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

**RECEIVED**  
DEPT. OF TREASURY

AUG 26 2004

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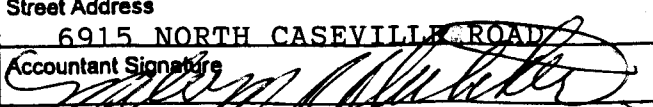
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes to the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on Individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) MELVIN P. DUTCHER CPA			
Street Address 6915 NORTH CASEVILLE ROAD	City CASEVILLE	State MI	ZIP 48725
Accountant Signature 			

**TOWNSHIP OF MC KINLEY  
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**MELVIN P. DUTCHER  
CERTIFIED PUBLIC ACCOUNTANT  
6915 N CASEVILLE ROAD  
CASEVILLE, MICHIGAN 48725**

August 27, 2004

State Treasurer  
Local Audit Division  
Treasury Building  
Lansing, Michigan 48922

RE: Township of McKinley  
Audit as of March 31, 2004

Dear Sir:

This report is being written pursuant to Section 7 (2) of the Public Act 2, P.A. of 1968, as amended, and to advise you that I have made an examination of the financial statements of the above mentioned local unit of government. My opinion dated August 27, 2004, with respect to these statements is included in my accountant's report submitted to you under the date of August 27, 2004.


I also wish to advise you that, in connection with the foregoing examination, I have complied with the minimum requirements as outlined in your "Bulletin for the Audits of Local Unit of Government in Michigan", as revised.

In accordance with the provision of P.A. 275 of 1980, as amended, there are no accumulated deficits in the various fund balances of the above local unit, other than as disclosed in the financial statements including the notes thereto, or as described in the report of comments and recommendations. In addition, we found no substantive instances of non-compliance with the provision of P.A. 2 of 1968 (The Uniform Accounting and Budgeting Act) as amended, other than as disclosed in the financial statement including the notes thereto, or as described in the report of comments and recommendations as prescribed by the report guidelines for instances of non compliance included in appendix B of the BULFALUG manual.

I hereby state and affirm that I am a Certified Public Accountant resided to practice in the State of Michigan and am independent insofar as that term is defined by my profession.

In my report for the above-mentioned period, I have expressed an unqualified opinion with respect to the financial statements.

In the last previous report by the local unit's independent Certified Public Accountant which covered the period April 1, 2002 to March 31, 2003, a qualified opinion was expressed.

A handwritten signature in black ink, appearing to read "Melvin P. Dutcher". The signature is fluid and cursive, with a large, stylized "M" and "D".

Melvin P. Dutcher

**MELVIN P. DUTCHER  
CERTIFIED PUBLIC ACCOUNTANT  
6915 N. CASEVILLE ROAD  
CASEVILLE, MICHIGAN 48725**

August 27, 2004

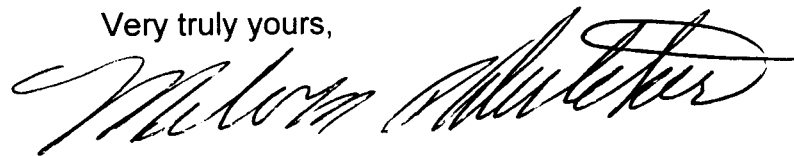
Honorable Supervisor and  
Members of Township Board  
Township of McKinley  
Pigeon, MI 48755

I have audited the accompanying general purpose financial statements of the Township of McKinley, as of March 31, 2004, and the year then ended. These general purpose financial statements are the responsibility of the Township of McKinley, Pigeon, Michigan, and management. My responsibility is to express and opinion on these general purpose financial statements based on my audit.

I conducted by audit in accordance with generally accepted audit standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also included assessing the accounting principles used significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of McKinley, as of March 31, 2004, and the results of its operations are in conformity with generally accepted accounting principles.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Melvin P. Dutcher', written in a cursive style.

Melvin P. Dutcher

**FINANCIAL SECTION**

**TOWNSHIP OF MCKINLEY**  
**BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
**'MARCH 31, 2004**

ASSETS	GOVERNAMENTAL FUND TYPES			ACCOUNTS GROUPS
	GENERAL	ROADS FUND	GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
Cash	\$ 129,541	\$ 0	\$ 0	\$
Taxes Rec'ble & fees	7,570	0	0	
General Fixed Assets:				
Land	0	0	2,000	
Buildings	0	0	900	
Equipment & Fixtures	0	0	5,163	
	-----	-----	-----	-----
TOTAL ASSETS	\$ 137,111	\$ 0	\$ 8,063	\$ 145,174
	=====	=====	=====	=====
<b>LIABILITIES &amp; FUND EQUITY</b>				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$
Accrued payroll taxes	310	0	0	
Accrued pension	0	0	0	
	-----	-----	-----	-----
TOTAL LIABILITIES	310	0	0	310
<b>FUND EQUITY</b>				
Investment in General	0	0	8,063	
Fixed Assets	0	0	0	
Fund Balance	136,801	0	0	136,801
	-----	-----	-----	-----
TOTAL FUND EQUITY	136,801	0	0	136,801
	-----	-----	-----	-----
TOTAL LIABILITY & FUND EQUITY	\$ 137,111	\$ 0	\$ 0	\$ 137,111
	=====	=====	=====	=====



**TOWNSHIP OF MCKINLEY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2004**

REVENUES	GOVERNAMENTAL FUND TYPES		TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	
Taxes	\$ 27,769	\$ 92,126	\$
Administrative fee	8,484	0	
Interest	784	0	
State grants	37,731	0	
Reimbursements & Refunds	423	0	
Miscellaneous	923	0	
	-----	-----	-----
Total Revenues	76,114	92,126	168,240
EXPENDITURES			
Legislative:	5,650	0	
Executive	1,680	0	
Elections	718	0	
General Services Adm	34,950	0	
Fire & Health	10,309	0	
Culture	750	0	
Public Works	1,958	97,655	
	-----	-----	-----
Total Expenditures	56,015	97,655	153,670
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	20,099	(5,529)	14,570
	-----	-----	-----
Other Financing Sources (uses)			
Operating Transfers In	0	5,529	5,529
Operating Transfers Out	5,529	0	5,529
	-----	-----	-----
Total Other Financing Sources (use)	5,529	(5,529)	0
	-----	-----	-----
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	14,570	0	14,570
FUND BALANCE - APRIL 1, 2003	122,230	0	122,230
	-----	-----	-----
FUND BALANCE - MARCH 31, 2004	\$ 136,800	\$ 0	\$ 136,800
	=====	=====	=====

**TOWNSHIP OF MCKINLEY**  
**STATEMENT OF CHANGES IN ASSET AND LIABILITIES**  
**AGENCY FUND**  
**YEAR ENDED MARCH 31, 2004**

**TAX COLLECTION FUND TYPES**

	<u>BALANCE</u> <u>March 31, 2003</u>	<u>ADDITIONS</u>	<u>DELECTIONS</u>	<u>BALANCE</u> <u>March 31, 2004</u>
<b>ASSETS</b>				
Cash	\$ 0	\$ 682,578	\$ 682,578	0
	-----	-----	-----	-----
TOTAL ASSETS	\$ 0	\$ 682,578	\$ 682,578	0
	=====	=====	=====	=====
<b>LIABILITIES</b>				
Due to other Twp funds	\$ 0	\$ 119,975	\$ 119,975	0
Due to County	0	168,891	168,891	0
Due to Schools	0	262,255	262,255	0
Due to State Education	0	115,132	115,132	0
Due to Drains	0	15,582	15,582	0
Due to General Fund		743	743	0
	-----	-----	-----	-----
TOTAL LIABILITIES	\$ 0	\$ 682,578	\$ 682,578	0
	=====	=====	=====	=====

**TOWNSHIP OF MC KINLEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES:**

**ACCOUNTING**

The financial statements for the year ended March 21, 2004, comprise those of all Township Funds. Such financial statements are maintained in accordance with principles of governmental accounting and state statutory requirements, applying the modified accrual basis of accounting for all funds. Revenue from State and Federal distribution are recorded when received in cash and Township property taxes and certain other revenues are recorded with taxes are levied or revenues earned. Expenditures are recorded as incurred.

**ACCOUNTING FOR CAPITAL EXPENDITURES**

Generally accepted accounting principles applicable to governmental units as promulgated in the American Institute of Certified Public Accountants industry audit guide titles "Audit of State and Local Government Units" provided for differing accounting treatment for capital expenditures dependent upon the category of the funds from which the expenditures are made. In enterprises, intergovernmental service and certain trust funds, capital expenditures are capitalized in the fund and depreciated. In all other funds, including the General Fund, capital expenditures are treated in the same manner as other current expenditures in the fund and are then to be recorded in a general fixed asset" group of accounts.

The Township's accounting practices are in conformity with the above described generally accepted accounting principles.

**BASIS OF PRESENTATION**

The financial activities of the Township of McKinley are recorded in separate funds and are categorized as follows:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund.

Special Revenue Funds – Road Construction Fund. It is used to account for specific governmental revenues requiring separate accounting because of legal and regulatory provision or administrative action.

## NOTE 2 – BALANCE SHEET CASH AND INTEREST BEARING DEPOSITS.

Deposits are carried at cost. Deposits of the Township are at one bank. Act 217, P.A. 1982, authorizes the Township to deposit and invest in the accounts of federally insured banks, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government of federal agency obligation repurchases agreements; banker's acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bond, or other form for the deposits of public money. An attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township deposits are in accordance with statutory authority.

The governmental accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Carring Amounts</u>
Insured (FDIC)	\$129,541
Uninsured	-0-
Total Deposits	\$129,541

## NOTE 3 – CHANGES IN GENERAL FIXED ASSETS

	Balance March 31, 2003	Additions	Deletions	Balance March 31, 2004
Land	\$2,000	0	0	\$2,000
Buildings	900	0	0	900
Equipment	<u>3,096</u>	<u>2,067</u>	<u>0</u>	<u>5,163</u>
	\$5,996	2,067	0	\$8,063

NOTE 4 - TOTAL - (MEMORANDUM ONLY)

The "Memorandum only" column represents the aggregate total of the various columnar statements by fund types and account groups. This total column is not comparable to a consolidation, and therefore, does not present consolidated information.

NOTE 5 - BUDGET

McKinley Township adopts their budget by line item totals.

NOTE 6 - PROPERTY TAXES

	Taxable Value	Millage	Amount
Roads	23,812,077	3.8690	92,126
General	23,812,077	<u>1.1663</u>	<u>27,769</u>
		5.0353	\$119,895

NOTE 7 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, section 18 (1), as amended, provides that a local unit shall not incur expenditures for the budgetary funds have been shown on a line item basis. The approved budget of the Township for these budgetary funds were adopted to the line item level.

## SUPPLEMENTAL DATA

## **AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION**

### **MC KINLEY TOWNSHIP**

My examination of McKinley Township for the year ended March 31, 2004, was made primarily for the purpose of formulating an overall opinion of the Township's combined balance sheet at March 31, 2004, and its combined statement of revenue, expenditures and changes in fund equity for the year then ended. The accompanying additional information is not necessary for a fair presentation of the financial statements, but is submitted as additional analytical data. This information has been compiled from the accounting records which were subjected to the tests and other auditing procedures applied in the examination of financial statements mentioned above. In my opinion, the supplemental statements presented for the year ended March 31, 2004 are fairly stated in all material respects in relation to the financial statement taken as a whole.

**TOWNSHIP OF MCKINLEY  
GENERAL FUND  
COMBINED STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2004**

	BUDGET	ACTUAL	VARANCE FAVORABLE (UNFAVORABLE)
<b>TAXES:</b>			
Current Tax Collections	\$	\$ 27,769	\$
Tax Collection Fee		7,072	
Tax Collection Fee State		1,412	
Total Taxes	32,600	36,253	3,653
 <b>INTERGOVERNMENTAL REVENUE:</b>			
State Revenue Sharing		37,731	
State Liquor Inspection		907	
Total Intergovernmental Revenue	38,935	38,638	(297)
 <b>OTHER INCOME:</b>			
Miscellaneous		439	
Interest Income		784	
Total Other Income	1,000	1,223	223
Total Revenues	72,535	76,114	3,579
Total Expenditures	71,197	61,544	9,653
Excess of Expenditures over Revenue	\$ 1,338	14,570	\$ 13,232
Fund Balance Beginning of year		122,230	
Fund Balance end of year		\$ 136,800	



**TOWNSHIP OF MC KINLEY  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2004**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>LEGISLATIVE:</b>			
Trustee Salaries	\$	\$ 1,680	\$
	-----	-----	-----
Total Legislative	2,800	1,680	1,120
<b>EXECUTIVE:</b>			
Supervisor Salary		5,100	
Deputy Supervisor Salary		550	
Dues		447	
Convention		350	
Supplies & Misc		776	
	-----	-----	-----
Total Executive	7,700	7,223	477
<b>ELECTIONS:</b>			
Salaries		718	
Printing & Publishing		0	
Inspection & set up		0	
Supplies		0	
	-----	-----	-----
Total Elections	7,500	718	6,782
<b>CLERK:</b>			
Salary		5,300	
Deputy Clerk Salary		550	
Supplies & misc		18	
Insurance		3,174	
Education - Seminar - Conv		380	
Legal & audit		1,500	
Printing & Publishing		358	
	-----	-----	-----
Total Clerk	12,950	11,280	1,670

**TOWNSHIP OF MC KINLEY  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2004**

**BOARD OF REVIEW:**

Salary		493	
Total Board of Review	800	493	307

**ASSESSOR:**

Salary		5,400	
Supplies & Misc		0	
Meeting		60	
Total Assessor	5,900	5,460	440

**TREASURER:**

Salary		6,500	
Deputy Treasurer Salary		550	
Supplies		612	
Prep of tax notices & postage		2,396	
Total Treasurer	13,106	10,058	3,048

**TOWNSHIP HALL GROUNDS:**

Utilities		114	
Repairs & Maintenance		165	
Total Township Hall Grounds	200	279	(79)

**PUBLIC SAFETY:**

Fire Protection - Stand By		8,800	
Ambulance		1,509	
Total Public Safety	11,556	10,309	1,247

**PARKS & RECREATIONS:**

Little League	750	750	0
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**TOWNSHIP OF MC KINLEY  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2004**

LIQUOR INSPECTIONS:			
Salary	935	951	(16)
PUBLIC WORKS:			
Drains at Large	0	1,958	(1,958)
MISCELLEANEOUS:			
FICA		500	
Pension		2,288	
Capital Outlay		2,067	
	'-----'	'-----'	'-----'
Total Miscellaneous	7,000	4,855	2,145
OTHER			
Transfer to Road Fund		5,529	(5,529)
	'-----'	'-----'	'-----'
TOTAL EXPENDITURES	\$ 71,197 \$	61,543 \$	9,654
	'=====	'=====	'=====

**TOWN: TOWNSHIP OF MCKINLEY**  
**ROAD FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR YEAR ENDED MARCH 31, 2004**

	BUDGET	ACTUAL	VARANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>			
Current Tax Collections	\$	\$ 92,126	\$
Transfer from General Fund		5,529	
Total Revenues	92,000	97,655	(5,655)
<b>EXPENDITURES:</b>			
Dust Control		0	
Road Construction		97,655	
Total Expenditures	121,600	97,655	23,945
<b>EXCESS OF REVENUES (EXPENDITURES)</b>			
	\$ (29,600)	0	\$ 18,290
<b>FUND BALANCE</b>			
BEGINNING OF YEAR		0	
<b>FUND BALANCE</b>			
END OF YEAR		\$ 0	

**MELVIN P. DUTCHER  
CERTIFIED PUBLIC ACCOUNTANT  
6915 N. CASEVILLE ROAD  
CASEVILLE, MICHIGAN 48725**

August 27, 2004

Honorable Supervisor and  
Member of Township Board  
Township of Mc Kinley  
Pigeon, MI 48755

Gentlemen:

I have recently concluded my examination of the accounting record of the Township of Mc Kinley for the year ended March 31, 2004. In connection with that examination, I wish to make the following comments and recommendations.

**GENERAL FIXED ASSETS GROUP OF ACCOUNTS**

Generally accepted accounting principles require that a general fixed asset group of accounts be maintained by all governmental units.

**INVESTMENT**

I was pleased to see that the township invested excess money into savings resulting in a total of \$784.49 interest income for all funds combined.

**RECOMMENDATION**

General Ledger should be posted monthly.

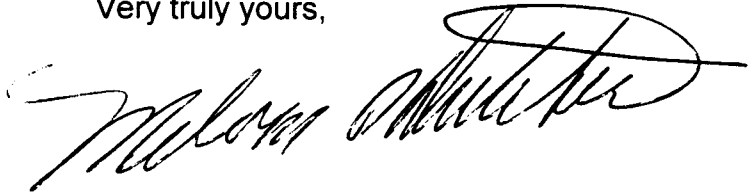
Payment of invoices – Invoices being paid should be marked approved with the order number and date should be noted on the invoice.

Payroll records need to be maintained with gross wages, taxes deducted and net pay recorded.

A chart of accounts should be established. These account numbers should appear on all check orders and receipts. The Michigan Department of Treasury Uniform Accounting Procedures Manual will be helpful in getting you started. These account numbers should consist of a nine numbers. An example would be 101 000 101.

This report is intended solely for the information and use of the township of McKinley's management, and others within the administration. This restriction is not intended to limit distribution of this report which upon acceptance by the Township Board is a matter of public record

Very truly yours,

A handwritten signature in black ink, appearing to read "Melvin P. Dutcher". The signature is fluid and cursive, with a large, sweeping loop at the end.

Melvin P. Dutcher